

MINUTE ITEM

This Calendar Item No. 30
was approved as Minute Item
No. 30 by the State Lands
Commission by a vote of 2
to 0 at its 7-22-76
meeting.

CALENDAR ITEM

30.

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ASSIGNMENT OF STATE OIL AND GAS LEASES

LEASES: PRC 410 and PRC 429.

LOCATION: Rincon Offshore Field, Ventura County.
(About 10 miles west of the City of Ventura.)

ASSIGNOR: Norris Oil Company
P. O. Box A-1
Ventura, California 93001

ASSIGNEE: Cabot Oil and Gas Corporation
(A wholly owned subsidiary of Cabot Corporation)
P. O. Box 1101
Pampa, Texas 79065

- PREREQUISITES:
1. Assignment forms have been fully executed.
 2. Assignee is fully qualified to hold a State lease.
 3. The statutory filing fees have been submitted by the assignor.

DISCUSSION: Norris Oil Company, an independent operator, and lessee of State Oil and Gas Leases PRC 410 and PRC 429, proposes to assign those leases to Cabot Oil and Gas Corporation, a wholly owned subsidiary of Cabot corporation.

The Purchase and Sale Agreement dated May 19, 1976, between Norris and Cabot, originally contemplated a closing date of July 1, 1976. That agreement has been amended by a letter dated June 21, 1976 (accepted by both parties June 28, 1976), and the applicants now propose to close the agreement on August 2, 1976. In that agreement, Cabot agrees to purchase two specific private, and the two State Oil and Gas Leases for \$2,400,000. The total production from the private properties was 43 b/d in 1974 (latest data available). One of the private leases, which was producing 3 b/d, is currently shut-in. The State leases produced 46 b/d in April 1976.

Future recoverable reserves on Lease PRC 429, are considered negligible by staff. Staff concurs (with reservations) in the order of magnitude of 2 to 25 million barrels of possible future recoverable primary oil from deeper zones not developed and secondary waterflood oil,

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postulated by the consulting firm of Babson and Burns. Such reservoir may be high based on recent performance of a similar flood in the area.

Lease PRC 410 contains seven wells (4 producing, 3 shut-in) drilled offshore from an up-land site. Daily production averaged 6 b/d well for 595 barrels of oil during the month of April, 1976 and thus qualifies as stripper production (25° API, \$10.59/b). State royalty rate is a sliding scale, currently at the minimum of 12 1/2 per cent.

Lease PRC 429 contains 15 wells (3 producing, 12 shut-in) drilled from a pier offshore. Daily production was 9.6 b/w/d, for 836 barrels of oil during April, 1976, and also qualifies as stripper production (29° API, \$10.67/b). Royalty rate is a sliding scale, currently at the minimum of 12 1/2 per cent.

Well and facility work necessary to develop the postulated undeveloped and secondary oil would necessarily depend upon future review and approval by the Commission, and upon the lifting of the current drilling moratorium on the lease.

Since the wells are now stripper, and therefore have a very minimum base production for the 1975 base year, any additional production would be upper tier oil.

The lessee's share of production is sub-ordinated to over-riding royalties of 14.0417 per cent on PRC 410, and 5.5416 per cent on PRC 429. There is also an outstanding deed of trust dated February 14, 1975, from Norris to the Bank of America securing a loan in the amount of \$642,882 (originally \$773,969). The ORR's have been attached to the properties since the late 1920's or early 1930's. The Purchase and Sale Agreement between Norris and Cabot requires Norris to pay off the outstanding deed, and closing cannot occur until a payoff and release is accomplished.

The proposed assignment will have no environmental impact and is considered a ministerial project under the Guidelines for Implementation of the California Environmental Quality Act (Title 14, Cal. Adm. Code).

EXHIBITS:

A. Location Map.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF TITLE 14, CAL. ADM. CODE 15073.
2. DETERMINE PURSUANT TO SECTION 6818 OF THE PUBLIC RESOURCES CODE THAT THE ACTION AS PROPOSED WILL NOT UNREASONABLY INTERFERE WITH THE MAINTENANCE OR USE OF THE LANDS INVOLVED FOR RECREATIONAL PURPOSES OR PROTECTION OF SHORE PROPERTIES.
3. FIND THAT GRANTING OF THE APPLICATION WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6379.1 ET SEQ. OF THE PUBLIC RESOURCES CODE.
4. APPROVE THE ASSIGNMENT OF STATE OIL AND GAS LEASES PRC 410 AND PRC 429, BY NORRIS OIL COMPANY, LESSEE, TO CABOT OIL AND GAS CORPORATION, SUCH ASSIGNMENT BEING A TRANSFER OF 100% OF NORRIS' INTEREST IN THE LEASES TO CABOT OIL AND GAS CORPORATION, ALL OTHER TERMS, REQUIREMENTS, AND LIMITATIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.